

**ATTESTATION REPORT
OF
SARPY COUNTY COURT**

JULY 1, 2011 THROUGH JUNE 30, 2012

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Issued on May 2, 2013

SARPY COUNTY COURT

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SARPY COUNTY COURT

COMMENT AND RECOMMENDATION

During our examination of Sarpy County Court, we noted a certain deficiency in internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

The following comment and recommendation is intended to improve the internal control over financial reporting or result in operational efficiencies in the following area:

Deposit Coverage

Neb. Rev. Stat. § 77-2326.04 (Reissue 2009) states,

No deposits in excess of the amount insured or guaranteed by the Federal Deposit Insurance Corporation shall be made to accumulate in any bank, capital stock financial institution, or qualifying mutual financial institution designated as a depository unless and until the county judge, clerk of the county court, or clerk of the district court, as the case may be, has received from such depository as security for the prompt repayment by the depository of his or her respective deposits in excess of the amount insured or guaranteed by the Federal Deposit Insurance Corporation either a surety bond in form and with corporate sureties approved by the county judge or judges or by formal resolution of the county board, as the case may be, or in lieu thereof, the giving of security as provided in the Public Funds Deposit Security Act.

During the audit period we noted:

1. On April 22, 2010, the County Court's financial institution had, in error, informed the County Court via email that the Federal Deposit Insurance Corporation (FDIC) coverage was \$500,000 instead of the true \$250,000 and the County Court unknowingly relied on this information when making subsequent collateral requests; and
2. The County Court was slow to identify and provide its financial institution sufficient time to effectively pledge additional securities before deposits were made; for example, \$1,200,000 in probate settlement proceeds deposited by the County Court on November 18, 2011, were not provided with additional pledged securities until 4 days after the deposit.

As a result, during the audit period the County Court had a total of 19 days in which its deposits were not fully insured by FDIC and/or additional pledged securities. At the maximum, the amount of uninsured deposits totaled \$1,296,204.

We recommend the County Court implement procedures to ensure there is sufficient FDIC and/or pledged collateral for all bank deposits at all times.

SARPY COUNTY COURT

COMMENT AND RECOMMENDATION

(Continued)

It should be noted that this report is critical in nature, as it contains only our comment and recommendation on the area noted for improvement and does not include our observations on any accounting strengths of the County Court.

Draft copies of this report were furnished to the County Court to provide them an opportunity to review the report and to respond to the comment and recommendation included in this report. The County Court declined to respond.



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SARPY COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedule of Changes in Assets and Liabilities Arising from Cash Transactions of Sarpy County Court as of and for the fiscal year ended June 30, 2012. The County Court's management is responsible for the Schedule. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the Schedule referred to above presents, in all material respects, the assets and liabilities arising from cash transactions of the Agency Funds of Sarpy County Court as of June 30, 2012, and the related activity for the fiscal year then ended, based on the accounting system and procedures prescribed by the Nebraska Supreme Court as described in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Schedule and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We performed our examination to express an opinion on whether the Schedule is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedule or on compliance and other matters; accordingly we express no such opinions. Our examination disclosed a certain finding that is required to be reported under *Government Auditing Standards* and the finding, along with the views of management, is described in the Comments Section of the report.

This report is intended solely for the information and use of management, the Supreme Court, others within the County Court, and the appropriate Federal and regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

SIGNED ORIGINAL ON FILE

April 18, 2013

Deann Haeffner, CPA
Assistant Deputy Auditor

SARPY COUNTY COURT
PAPILLION, NEBRASKA
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS

For the Fiscal Year Ended June 30, 2012

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2012</u>
ASSETS				
Cash and Deposits	\$ 1,285,169	\$ 6,183,316	\$ 6,384,669	\$ 1,083,816
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 47,966	\$ 544,254	\$ 547,829	\$ 44,391
Law Enforcement Fees	4,669	52,837	53,320	4,186
State Judges Retirement Fund	15,523	174,039	175,023	14,539
Court Administrative Fees	26,156	359,375	357,808	27,723
Legal Services Fees	16,712	186,796	188,021	15,487
Due to County Treasurer:				
Regular Fines	102,660	1,233,291	1,244,892	91,059
Overload Fines	12,165	22,300	33,615	850
Regular Fees	7,907	104,923	104,562	8,268
Due to Municipalities:				
Regular Fines	665	6,203	6,533	335
Regular Fees	-	17	17	-
Trust Fund Payable	<u>1,050,746</u>	<u>3,499,281</u>	<u>3,673,049</u>	<u>876,978</u>
Total Liabilities	<u><u>\$ 1,285,169</u></u>	<u><u>\$ 6,183,316</u></u>	<u><u>\$ 6,384,669</u></u>	<u><u>\$ 1,083,816</u></u>

The accompanying notes are an integral part of the schedule.

SARPY COUNTY COURT
NOTES TO FINANCIAL SCHEDULE
For the Fiscal Year Ended June 30, 2012

1. Criteria

A. Reporting Entity

The Sarpy County Court is established by State statute and is administratively operated through the Court Administrator's Office of the Nebraska Supreme Court, which is part of the State of Nebraska reporting entity. The Schedule of Changes in Assets and Liabilities Arising from Cash Transactions of the County Court reflect only the Agency Funds activity of the County Court including the receipts and their subsequent disbursement to the appropriate entities for which they were collected. The Schedule does not reflect the personal services expenses of the County Court, which are paid by the Nebraska Supreme Court, or the operating expenses, which are paid by Sarpy County.

B. Basis of Accounting

The accounting records of the County Court Agency Funds are maintained, and the Schedule of Changes in Assets and Liabilities Arising from Cash Transactions have been prepared, based on the accounting system and procedures prescribed by the Nebraska Supreme Court. Under this system of accounting, fines, fees, and receipts relating to trust funds are shown as additions to assets and as an increase in the related liability when received. Likewise, disbursements are shown as deductions to assets and as a decrease in the related liability when a check is written.

2. Deposits and Investments

Funds held by the County Court are deposited and invested in accordance with rules issued by the Supreme Court, as directed by Neb. Rev. Stat. § 25-2713 (Reissue 2008). Funds are generally consolidated in an interest-bearing checking account; however, the County Court may order certain trust funds to be invested separately. Any deposits in excess of the amount insured by the Federal Deposit Insurance Corporation are required by Neb. Rev. Stat. § 77-2326.04 (Reissue 2009) to be secured either by a surety bond or as provided in the Public Funds Deposit Security Act.